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NEWS ROUNDUP

Eight Japanese steel mills agreed to a 25.4 percent increase in the price of Queensland Coking Coal as their new fiscal year began Thursday. The new price will be \$66 (U.S.) per metric ton FOB, compared with the previous \$53.02. Japanese mills will buy 2.3 million metric tons under the one-year contract which still has to obtain Australian government approval.

Occidental Petroleum Corp. has agreed with China to conduct a feasibility study which may lead to joint development of a major new surface coal mine at Pingshuo, 500 kilometers west of Peking. Occidental Chairman Armand Hammer said his company would invest \$230 million if the mine goes forward with profits to be shared with the Chinese after recovery of the capital. Hammer said plans call for annual production of 15 million metric tons by 1986.

Jean-Pierre Hugon has been dismissed as managing director of France's national coal board. Hugon was reportedly fired from Charbonnages de France for lending support to criticism of the Mitterrand government's recent natural gas contract with Algeria's Sonatrach — by which the French

(Continued on page 4)

INSIDE

ARCO COAL CO.'S merger into Anaconda Minerals will mean several hundred layoffs, the company estimates. That and other Reports from our Correspondents on page 3.

PG&E'S FUEL STRATEGY prominently included coal five years ago, but a number of factors combined to push it out of the utility's picture. Nick Snow examines what happened in his first Coal Commentary on page 19.

ONLY A FEW BILLS involving energy are on the congressional horizon, with several others effectively postponed. Steve Marcy takes a look at what survived, what didn't and why in his latest Washington, FYI on back page.

Special Section
EXPORTS
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Plans to Limit Coal Severance Taxes Stall

By Steve Marcy

WASHINGTON — Short of a massive retrenchment of federal aid for water projects that forces western states to sharply increase energy levies, a congressional limitation on coal severance taxes is dead for this year.

The House Fossil and Synthetic Fuels subcommittee tried to extend the life of the comatose issue by calling hearings on a bill that would limit state taxation rates to 12.5 percent of the value of the coal. Only two of four witnesses showed.

So futile is the cause in this time of transferring greater tax burdens to the states that the subcommittee will not meet to consider the legislation, subcommittee sources say. The bill's carrying 61 co-sponsors will not help.

Further cuts in social programs also would not likely force state energy taxes to unacceptable levels; beneficiaries of those

programs are not concentrated in the states that have any energy resources to tax.

Only if Congress cut deeply enough into western state water programs to force offsetting them with much higher severance taxes could enough pressure build to force congressional action, subcommittee sources tell *Coal Industry News*.

An outside possibility is for the Senate Energy Committee to move its version of the bill, a prospect that House staffers consider hardly likely when they look at the western makeup of that panel.

Target of the 12.5 percent limitation are the taxes levied by Montana of 30 percent and the combined county and state taxes of 17.5 percent levied by Wyoming.

Walter McCarthy, chairman and chief executive officer of Detroit Edison and also testifying for the Edison Electric Institute, said the taxes were passed on higher electric bills and even if by themselves were

miniscule compared to that added by rail rates.

"But the comparison is no defense to rapacious severance taxes," McCarthy said. "The point is that electricity costs are made up of many individual components, and the only way to bring the total cost down is to work at trying to reduce every one of these components."

McCarthy argued that not all Detroit Edison customers were residential users in whose bills coal severance taxes go unnoticed. The utility executive said that one steel company undergoing Chapter 11 reorganization in his service area projects its electric bill would include \$30 million paid to the Montana treasury over the 26 year life of the coal contracts the utility has with Montana-located coal companies.

Charles E. McClure Jr., a senior fellow at Stanford University's Hoover Institution,

(Continued on page 5)



WATERING COAL at Houston Lighting and Power Co.'s Parish station is part of supply operation supervised by Wheelabrator-Frye. The service is part of a new direction the Hampton, N.H., company is taking beyond what it's done previously: Its Torkelsen-Kellogg division designed and constructed the Parish coal-handling system.

Wheelabrator-Frye's 'Mine-to-Boiler' Approach

System Package Opens Up New Choices for Utilities

By Gene Smith

HAMPTON, N.H. — Wheelabrator-Frye, Inc., has come up with "a turnkey mine-to-boiler package" for electric utilities that enables them to avoid soaring capital costs and, thus, provide power at lower costs.

"We, basically, can tell utilities how much their coal is going to cost crushed and ready to burn on either a tonnage or a BTU basis," A. Paul Flask, vice president of energy, told *Coal Industry News* in an interview at company headquarters.

"Really, that's the only number that's meaningful," he went on. "It's a new 'buy decision' for the utilities. It's a little bit difficult for the engineering concern that may be a consultant because they prefer to break everything apart and look at the components. Our approach is that that's not the way the business should be done.

"It's essentially a financial transaction, but it shouldn't be done any differently than when you go to the coal mine. You don't go there and say: 'Oh, it's X dollars a ton, now what are your costs?' It's really a decision as to whether it's a reasonable price for coal delivered and whether it will

Editor's Report

be an acceptable passthrough for the fuel adjustment clause."

Wheelabrator announced on Feb. 1 that it had contracted to own and operate a completed coal-unloading facility, including 390 coal cars, at Southwestern Public Service Co.'s new Tolk station near Muleshoe, Texas. Cost of the facility and rail cars was put at \$47 million. Wheelabrator will own and operate the facility under a renewable,

20-year service agreement.

This brings to three the utility coal-handling systems the company operates. They have a combined capacity of 18 million tons of coal a year, equivalent to 72 million barrels of imported oil. This involves a fleet of 3,545 coal cars.

The initial system was developed in 1976 in cooperation with Southwestern Public Service's Harrington station near Amarillo. The facility was designed and built by Torkelsen-Kellogg, an affiliate of Wheelabrator's Pullman Standard. Wheelabrator owns, operates and maintains the 5 million-ton a year facility.

Subsequently, Wheelabrator contracted to engineer, construct and operate a 10 million-ton a year facility at Houston Lighting and Power's Parrish station at Thompson,

(Continued on page 4)

Utility Appropriations Dip To Lowest in 5 Quarters

NEW YORK — The nation's investor-owned electric and gas utilities appropriated \$8.3 billion, seasonally adjusted, for new plant and equipment in the fourth quarter of 1981, down 18 percent from the third quarter and 34 percent less than the second quarter, according to the Conference Board.

Fourth-quarter appropriations were the smallest in five quarters, with the electric utilities accounting for this dip. Gas appropriations, which registered a moderate gain in the third quarter, showed little change in the final quarter last year.

Actual capital spending by the investor-owned utilities climbed to a record \$8.9 billion in the fourth quarter, up 4 percent from the third quarter. Total capital spending by the utilities amounted to \$33.2 billion in 1981, an 8 percent gain over 1980.

Record spending by both the electric and gas utilities in the fourth quarter, coupled with large cancellations of previous-

ly-approved projects by the electric utilities, cut the backlog of unspent appropriations to \$98.6 billion in the end of 1981. It was the lowest level in two years.

Gas companies appropriated \$1.32 billion in the fourth quarter, only a slight increase from the third quarter. Record expenditures in the last half of 1981 (\$1.75 billion in the fourth quarter) helped make 1981 the strongest year on record for the gas industry, continuing an expansion that began in 1977. Net appropriations in 1981 were \$6.24 billion (14 percent above 1980 and more than triple those of 1976); expenditures were \$5.98 billion (17 percent above 1980 and 2 1/2 times higher than 1976).

The electric utility industry has sharply reduced its expansion plans in recent years, but because of the long construction lead times and the increased cost of generating equipment, actual expenditures will continue to rise, as they did in 1981, to a record \$27.2 billion. — Bruce Fraser

In Acrimonious Atmosphere

House Committee Begins Amending Clean Air Act

WASHINGTON — A polarized House Energy and Commerce Committee began arduously amending the Clean Air Act last week in an acrimonious atmosphere left over from the subcommittee debate.

The committee is working from a proposed package of largely industry-backed amendments approved 13-7 by the Health and Environment Subcommittee.

Committee Chairman John Dingell, D-Mich., whose district includes Detroit, backs the package and indicated in the subcommittee he probably has the votes to ultimately move it.

But he sparred long but inconclusively with Rep. Timothy Wirth, D-Colo., whose opening gambit was to try inserting in the policy-statement section of the bill language that could make it embarrassing if not impossible for Dingell to liberalize the emission limits for autos and stationary sources, including coal.

The Wirth proposal would have recognized a stretch-out of air pollution compliance deadlines contained in subcommittee recommendations, but would have forbidden the removal of pollution control equipment from existing plants or autos as part of the deadline stretch out. This would prevent states from relaxing existing controls as part of any plan to spur industrial growth while awaiting for the deadline to arrive.

Further Provisions

The subcommittee bill allows auto manufacturers to revert to the 1980 carbon monoxide limit of 7 grams per mile, which is to be reduced to 3.4 grams per mile in 1983 under current law. Coal-burning and other stationary sources under the subcommittee bill need not install the best available control technology if their emissions are

under 500 tons annually.

The Wirth proposal consumed the entire first day of debate and ended with his withdrawing it on a vague promise he could go back and reoffer it in the same, opening sections of the bill later in the debate.

Wirth's opening maneuver could foretell a series of wheeling and flanking movements between Dingell's forces and the environmentalists that could lead to the parliamentary equivalent of World War I trench warfare.

That perhaps protracted parliamentary battle will be over issues crucial to the type of coal used and the site where it's burned, including:

- The stringency of pollution controls put on new electric power plants. Present law requires them to achieve the "lowest emission rate achievable," but the subcommittee bill would replace this with "best available control technology" which would mean that in use and which is also available from a cost standpoint.

- The elimination of fugitive dust from surface coal mines as a factor in determining whether visibility standards in clean-air areas have been violated.

- The continued use of existing tall stacks to disperse sulfur dioxide from coal-fired utilities and excusing them from any further clean-up if they stay within average emissions detected within the last three years.

- Continuation of the requirement that sulfur dioxide must be scrubbed from stacks of new utilities burning both high- and low-sulfur coals. The bill eliminates a similar requirement for industrial stacks that is a provision of existing law but which has never been invoked.

National Coal Association Lowers Forecast of Output, Consumption

WASHINGTON — The National Coal Association expects coal production to decline 6 million tons and consumption 9 million tons compared to its January forecast for 1982.

The trade association blamed a sluggish economy, high interest rates and declining oil prices for its downward revision from the January projections of 877 million tons produced and 886 million tons consumed this year.

Production and consumption would still break 1980's record of 823.6 million tons produced and 788.9 million tons consumed. Last year's strike reduced production to 805 million tons while consumption still hit a record 844 million tons as electric utilities dipped into their inventories and exports held steady.

U.S. utilities should increase their consumption by 3.2 percent to 615 million tons, compared to 4.9 percent rate last year. The falloff in coal consumption growth was caused by electricity generation increasing by only two percent in 1982 and only a percentage point rise in coal's share of the utility market, from 52 percent to 53 percent.

High coal stockpiles in Europe, stable or declining oil prices and the increased availability of coal from competing countries will hold coal export constant at 110 million tons, the same as 1981, NCA forecasts.

Other Projections

Metallurgical coal purchases will at least approximate the 1980 level, reaching 66.5 million tons in 1982 after slumping to 62 million tons in 1981. Not all of that will be consumed, however, as steel companies rebuild coke inventories.

Industrial and retail coal use is forecast to reach 77 million tons only 1.3 percent above the 1981 level of 76 million tons. Slow economic growth and declining oil prices again are the culprits for the only modest increase.

HOW INDUSTRY FORECASTS U.S. COAL USE PATTERNS

(Million Tons)

Category	Final 1980	Preliminary 1981	Forecast 1982	Percent Change 1982/81
Domestic Consumption:				
Electric Utilities	568.3	596	615	+3.2
Coking Coal	66.5	62	66	+6.5
General Industry and Retail	64.2	76	77	+1.3
Total Domestic Consumption	699.0	734	758	+3.3
Exports to:				
Canada:				
Steam	10.8	12	11	-8.3
Metallurgical	6.3	6	7	+16.7
Total	17.1	18	18	0.0
Overseas:				
Steam	16.0	33	37	+12.1
Metallurgical	56.8	59	55	-6.8
Total	72.8	92	92	0.0
Total Exports	89.9	110	110	0.0
Total Consumption	788.9	844	868	+2.8
Production				
East	572.6	527	590	+12.0
West	251.0	275	290	+5.5
Total U.S.	823.6	802	880	+9.7
Imports				
Coal	1.2	1.6	1	-37.5
Coke	0.7	.6	.6	0

Source: National Coal Association Economics Committee

While the overall level remains constant, the overall mix of export coals will change again, reflecting continued increased demand for steam coal at the expense of metallurgical coal. However, this is partially offset by the movement of some met coal into some steam uses. Excluding shipments to Canada, steam coal exports will increase from 1981's record 33 million tons to 37 million tons in 1982, NCA forecasts. Met coal exports will fall to 55 million tons from 1981's 59 million tons.

The 110 million tons is an increase from the January forecast

and the big reason for NCA not predicting a sharper overall decline from its totals forecast in January.

Regionally, eastern U.S. production will rebound to 590 million tons from the strike-interrupted 527 million tons of 1981, a three percent increase over the 572.6 million tons of 1980, a more normal year.

Western U.S. production should reach 290 million tons, a 5.5 percent increase from the 275 million tons in 1981. The 290 million tons is also a 3 million-ton drop from January's expectations.

Office of Surface Mining Offers 4 Revisions

WASHINGTON — The federal Office of Surface Mining is continuing its effort to rewrite its rules despite being sued for failing to consider carefully enough the environmental impacts its proposed changes might cause.

OSM issued four proposed revisions in the past two weeks, the most controversial of which would set a time limit on the exemption old mines enjoy for restoring prime farmlands.

Environmentalists have sued OSM over the entire rewrite of the program for failing to prepare environmental impact statements at each stage. The surface mining law explicitly states, the suit contends, that each revision of the regulations is to be considered a significant environmental action requiring an impact statement.

The farmlands proposal contains two alternatives, one requiring all new extensions of old permits to comply with the provisions after Aug. 3, 1982 and the other giving the states five years to decide when to end the exemptions.

In both cases, the exemptions

apply only to the extension of mining operations covered in permits issued prior to Aug. 3, 1977, the date of enactment of the Surface Mining Control and Reclamation Act.

Hearings Scheduled

It is controversial because some senators contend that the law they helped write never intended for pre-surface mining act operations to go unrestored forever. Sen. Charles Percy's, R-Ill., Government Operations subcommittee called hearings into OSM's suspension of an original Aug. 3, 1982 cutoff date after farmers and others in Illinois complained that coal companies were extending the boundaries of old mines beyond the originally permitted area.

A second OSM proposal would require auger miners to leave access to underground coal reserves once augering is complete. The access would not be required, however, if state or federal regulators were satisfied that all the reserves were depleted or were too thin for economic recovery.

The section allowing ex-

perimental reclamation practices would be revised in part by dropping requirements for enforcing environmentally effective alternatives if the experiment fails. It would also no longer require periodic monitoring, recording and reporting on the progress of the practice.

Environmentalists have feared OSM under the Reagan administration would open a loophole in the law by liberally permitting cheap and ineffective reclamation techniques under the guise of "experimental practices."

The fourth proposal would amend the revegetation requirements in the permanent program by eliminating the need for field testing trees, shrubs, grasses and legumes that are not native to the mining area. The grazing provision, suspended by federal district court, will be dealt with after an appellate court rules on the legality of the suspension. The actual standards for revegetation and revegetation success would be left to the states. — Steve Marcy

EXPORTS OUTLOOK

Europeans Expect Coal Demand To Recover Modestly This Year

By Michael Parrott

PARIS — The European Economic Community expects a recovery in its coal demand this year. Imports from non-EEC countries are seen falling for the second year running, however, despite a decline in EEC coal production.

According to a report just submitted to the Council of Ministers of the 10-nation community, consumption should rise to 308.7 million tons in 1982 from 305 million in 1981 as the European economies move out of their worst recession since 1975.

But imports from non-EEC countries are expected to fall to 69.5 million tons from 70.8 million. EEC production is seen reaching only 243.4 million vs. 245.6 million in 1981.

The report by the Brussels-based EEC Commission finds consumption in the U.K. and France likely to fall for the second year running, to 117.6 and 39.6 million tons respectively. Consumption in Germany may rise 4 percent to 94.7 million tons and in Belgium to 17.6 million. Denmark, Holland and Italy are seen rising 23, 15 and 9 percent to 9.8, 7.0 and 20.1 million tons.

Recovery in anticipated coal demand would result from a 2 percent average growth anticipated for the EEC this year after a 0.5 percent GNP decline in 1981.

While coal production in Belgium and France is projected to remain virtually unchanged this year at 6.2 and 18 million tons, output from Germany and the U.K. is due to decline slightly to 94.6 and 124.5 million tons. This would bring overall EEC production to 243.4 million tons from 245.6 million in 1981.

Imports Will Fall

Despite anticipated demand recovery within the EEC and the continued production decline, imports from non-EEC countries are seen falling for the second straight year.

In 1981, they fell to 70.8 million tons from 74.5 million, the first drop since 1974's 38 million. In 1982, the decline is expected to continue, imports being only 69.5 million. Of this, 43 million tons would be steam coal and 23.3 million coking coal.

Germany, Belgium, Denmark, Italy and Holland are set to increase imports slightly during 1982. France will cut back its purchases from non-EEC countries by 5 million tons to 15.2 million as it switches more to nuclear power.

The EEC import cut is not expected to affect the United States. The U.S. is seen raising its deliveries to 35.3 million tons, more than 50 percent of the EEC's non-community supplies. South African coal is due to fall two million tons to 17.5 million. Australia's will rise 500,000 tons, to 8.5 million. Poland's supply is slated to remain steady, at 4.8 million, after falling from 13.7 million in 1980.

The report shows the U.S. supplied 34.5 million of the EEC's 70.8 million tons of imports last year. South Africa supplied 19.7 million, Australia 8 million, Poland 4.8 million. During the same period, France and Italy were the main importers within the community.

They took 20.1 and 15.5 million tons respectively. Denmark, Germany, Belgium and Holland imported 8.9, 8.3, 7.3 and 5.6 millions.

The U.S. made up for much of the 9 million decline in 1981 EEC imports by increasing deliveries by 6 million. It was an important coal source for virtually all EEC countries. Most were also customers of South Africa and Australia. Belgium, Denmark and Germany preferred the former as a supply source; the UK and Holland the latter.

The commission expects a slight decline in EEC's exports to non-EEC countries this year due to lower German exports. Coal exports rose very sharply last year to 3.4 million from 800,000 tons, following sharp increases in sales by Germany and the U.K. These are expected to decline slightly to 3.1 million. U.K. exports are due to rise again, to 1.7 million tons from 1 million. Germany's are seen falling to 1 million from 1.95 million. Coke exports will likely decline to 3.6

(Continued on page 13)

European Economic Community
Coal Consumption 1980-82

State	1980	1981	1982
	Actual	Estimates	Forecasts
Belgium	16.7	17.0	17.6
Denmark	9.6	8.0	9.8
W. Germany	91.8	90.9	94.7
France	46.5	43.8	39.6
Greece	0.5	0.2	0.9
Ireland	1.2	1.4	1.2
Italy	17.0	18.5	20.1
Luxembourg	0.4	0.3	0.2
Netherlands	6.0	6.1	7.0
United Kingdom	123.8	118.9	117.6
TOTAL	313.5	305.0	308.7

Operator installing Split Set stabilizers with new Ingersoll-Rand drill/insertor

